

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 EURE-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 PA-01 PRS-01 ARA-06 FEAE-00 AGR-05

TAR-01 /104 W

----- 051391

P R 291906Z OCT 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 4681

INFO USMISSION EC BRUSSELS

USMISSION USUN

USMISSION GENEVA

C O N F I D E N T I A L PARIS 28137

E.O. 11652: GDS

TAGS: EGEN FR

SUBJECT: GISCARD SPEAKS ON NEW ECONOMIC ORDER

1. IN OCTOBER 28 SPEECH TO POLYTECHNIC COLLEGE (WHICH NUMBERS HIM AMONG ITS DISTINGUISHED ALUMNI), PRESIDENT GISCARD D'ESTAING MADE WHAT HAS BEEN TREATED BY PARIS PRESS AS IMPORTANT SPEECH ON DEVELOPMENT OF A REPEAT A NEW INTERNATIONAL ECONOMIC ORDER. SPEECH CONTAINS LITTLE NEW BUT SHEDS SOME INTERESTING LIGHT ON FRENCH THINKING AT BEGINNING OF PRODUCER-CONSUMER DIALOGUE.

2. GISCARD INTRODUCED SPEECH WITH BY NOW FAMILIAR FRENCH DESCRIPTION OF BACKGROUND TO CURRENT WORLD ECONOMIC PROBLEMS: MONETARY DISORDER CAUSED BY DOLLAR SURPLUS AND FLOAT, DISPARITIES IN ECONOMIC GROWTH RATES BETWEEN LDCS AND DCS IN SPITE OF TWO DECADES OF GENERAL INCREASE IN PROSPERITY, AND CATALYZING EFFECT OF
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1973/74 OIL PRICE RISES. HE NOTED THAT ALL OF THESE

CONDITIONS HAD CREATED ESPECIALLY DIFFICULT SITUATION FOR MSAS, AND CONCLUDED THAT ESSENTIALLY NEW WORLD ECONOMIC ORDER MUST BE CREATED TO SEEK AVOID COMPARABLE SHOCKS IN FUTURE.

3. NEW ECONOMIC ORDER, ACCORDING TO GISCARD, SHOULD BE BASED ON NEW EQUILIBRIUM OF RELATIONS IN TRADE, ECONOMIC ACTIVITIES, MONETARY EXCHANGES, AND NATIONAL INCOMES. IN TRADE FIELD, GISCARD CALLED FOR COMMODITY-AGREEMENT APPROACH (WITH SPECIAL EMPHASIS ON LDC-PRODUCED PRIMARY COMMODITIES), STABILITY OF EXPORT EARNINGS (CITING LOME AGREEMENT, WHICH HE INDICATED SHOULD BE EXTENDED TO OTHER COUNTRIES), AND EXTENSION OF GENERALIZED PREFERENCES (WITHIN LIMITS) TO LDC INDUSTRIAL PRODUCTS. ON QUESTION OF EQUILIBRIUM IN ECONOMIC ACTIVITIES, GISCARD LIMITED HIMSELF TO NOTING NEED FOR WORK TOWARD INCREASING AGRICULTURAL PRODUCTION IN LDCS, INCREASING VALUE ADDED TO LDC EXPORTS, INCREASED TRANSFER OF TECHNOLOGY, AND PROMOTION OF INVESTMENT IN LDCS. ON MONETARY ISSUE, GISCARD CALLED FOR STABILIZED BUT FLEXIBLE EXCHANGE RATES, AND THE ESTABLISHMENT OF SOME CONNECTION BETWEEN AID TO LDCS AND INTERNATIONAL LIQUIDITY CREATION. FINALLY, IN DEALING WITH EQUILIBRIUM OF INCOMES, GISCARD SIMPLY REITERATED FRANCE'S PLEDGE TO MEET ITS .7 PERCENT OF GNP GOAL FOR AID IN 1977. IN SUMMATION, GISCARD POINTED OUT THAT FRANCE IS WORKING ACTIVELY TOWARD CREATION OF THIS NEW ECONOMIC ORDER: HE ALSO ALLOWED HIMSELF SOME SELF-CONGRATULATORY REMARKS ABOUT THE SUCCESS OF PREPCON II AND THE APPROACHING CIEC. ON A NOTE OF REALISM, HE ALLUDED TO THE DIFFICULTIES OF REACHING CONSENSUS WITHIN THE EC ON MANY OF THESE QUESTIONS. HE CONCLUDED WITH THE OBSERVATION THAT CREATION OF A NEW ECONOMIC ORDER MUST REST ON TWO PRINCIPLES: THAT IT MUST COME FROM FREE AGREEMENT AMONG THE NATIONS CONCERNED, AND THAT IT CANNOT BE THE RESULT OF A "VICTORY" OF ONE GROUP OF NATIONS OVER OTHER.

4. COMMENT: ALTHOUGH PERHAPS THE AUDIENCE WAS NOT APPROPRIATE FOR NEW POLICY DEPARTURES, GISCARD'S SPEECH CONFIDENTIAL

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WAS NONETHELESS DISAPPOINTING. IT COVERED NO NEW GROUND, OFFERED ANSWERS TO NO PROPOSITIONS MADE BY THE U.S. OR OTHERS, AND WAS SPECIFIC ONLY WHEN DEALING WITH THE FAMILIAR FRENCH THEMES OF COMMODITY MARKET ORGANIZATION AND STABILIZED EXCHANGE RATES. AS HAVE ALMOST ALL OFFICIAL FRENCH STATEMENTS ON THE SUBJECT, IT GLOSSED OVER THE HARD ECONOMIC REALITIES OF RESOURCE TRANSFER (THOUGH GISCARD DID MENTION, IN DEALING WITH

EXTENSION OF GENERALIZED TARIFF PREFERENCE SCHEMES,
THAT CERTAIN FRENCH INDUSTRIES SUCH AS TEXTILES WOULD
PROBABLY HAVE TO BE PROTECTED). IF IT CAN BE TAKEN AS
A MEASURE OF FRENCH PREPARATIONS FOR THE SUBSTANTIVE
PHASE OF THE PRODUCER-CONSUMER DIALOGUE, THE SPEECH
INDICATES THE NEED FOR MUCH SERIOUS WORK WITHIN THE GOF.
IT'S POLITICAL APPEAL TO THE LDCS IS EVIDENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SPEECHES, ECONOMIC PROGRAMS, IMPORTERS, EXPORTERS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PARIS28137
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750375-0252
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975109/aaaaaigt.tel
Line Count: 123
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 28 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 APR 2003 by BoyleJA>; APPROVED <29 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GISCARD SPEAKS ON NEW ECONOMIC ORDER
TAGS: EGEN, FR, (GISCARD D'ESTAING, VALERY)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006